

UPDATE 2-US starts fiscal 2010 with \$176.36 bln Oct deficit

WASHINGTON, Nov 12 (Reuters) - The U.S. government began fiscal 2010 with a record shortfall for the month of October, after posting a record \$1.4 trillion budget gap for the 2009 budget year, the Treasury Department said on Thursday.

The department, in its monthly budget statement, reported a \$176.36 billion budget gap in October, the fifth largest deficit for any month. That exceeded both Wall Street analysts' expectations for a \$150 billion deficit, and the \$155.5 billion gap in October 2008.

The report for October pointed to a growing gap between government spending and income at a time when a fragile economy is beginning to emerge from the steepest recession in 70 years.

"When the economy is in the deepest recession that we've had since the 1930s we need an increase in the federal deficit in order to jump start and help get the economy out of that recession," said Bill Hampel, chief economist for the Credit Union National Association in Washington.

"We're in a very weak economy right now, but the deficit has made the economy stronger than it otherwise would have been, it is mitigating the recession," Hampel said.

The federal budget year starts on Oct. 1.

The government has now posted a budget deficit for 13 straight months, the longest string of deficits on record, the Treasury said.

In October, outlays fell to \$311.69 billion compared with \$320.38 in October 2008, but receipts fell even more, totaling \$135.33 billion, compared with \$164.85 billion in the same month a year ago, the department said.

The Treasury also said it bought \$7.8 billion worth of mortgage-backed securities from housing finance agencies in October compared with \$21.5 billion in October 2008.

Several U.S. senators earlier this week said they want a bipartisan commission formed to tackle the ballooning budget deficit.

A commission could give Congress political cover to back difficult measures needed to get the deficit under control, supporters of the commission said.

President [Barack Obama](#) last week said his administration was examining a number of options to spur the economy and tackle unemployment, including spending on roads and bridges, tax cuts for businesses, refitting of buildings to make them more energy efficient and aggressive measures to boost exports.

The administration is expected to release its fiscal 2011 budget proposals in February. (Reporting by [Nancy Waitz](#); Additional reporting by Alister Bull; Editing by Neil Stempleman)